

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90

**REPLY COMMENTS OF THE
EASTERN RURAL TELECOM ASSOCIATION**

I. INTRODUCTION

The Eastern Rural Telecom Association (“ERTA”) respectfully submits these reply comments in response to a Report and Order and Further Notice of Proposed Rulemaking (“Order” or “FNPRM”)¹ issued by the Commission on December 20, 2016. The Commission asked for comments on whether additional funding should be provided to recipients of “A-CAM funding equivalent to the original offer.”² The underlying issue revolves around the lack of broadband in many rural, high-cost areas of America and the need for Universal Service support.

ERTA is a trade association composed of community based local exchange companies and support companies providing telecommunications, broadband Internet, and video services to rural customers in the Eastern half of America. ERTA members have deep community roots and are proud of the roles they play in providing capital-intensive services to rural America as small businesses in high-cost areas. Because they serve customers in high-cost areas ERTA members

¹ Connect America Fund, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, FCC 16-178 (rel. December 20, 2016) (“Order” or “FNPRM”).

² Id. Para. 17.

need recovery support to provide universal services at affordable rates. It is also important to remember that each new Commission regulation or change often results in additional compliance expenses for ERTA members without necessarily benefitting customers.

There were nine sets of comments filed on February 13, 2017 in response to the FNPRM. There was unanimous agreement that additional funding is needed for A-CAM recipients. The FCC has taken steps to provide certainty with A-CAM funding which in many cases provides an increase of funding. These funding increases are clearly needed for more rural consumers to get broadband services or broadband services at higher speeds. Many commenters also strongly urged that additional funding be provided to Rate-of-Return (“RoR”) carriers as well. ERTA strongly agrees that additional funding should be provided to both A-CAM and RoR carriers in order to serve more customers with broadband. If the FCC desires to increase broadband deployment to more customers living in Rural America, it should provide full funding for both A-CAM and RoR budgets.

II. A-CAM FUNDING

As the Commission is aware, funding is tied to broadband deployment in Rural America, less funding results in less broadband deployment. As ITTA stated, “fully funding A-CAM support will lead to a significant increase in broadband deployment to unserved and underserved consumers across rural America.”³ As the Commission knows, these customers are not already served because of the high-costs involved. As USTelecom stated, “the high demand for support to build-out broadband to Rural America is a clear indication of the importance of not only the

³ ITTA Comments at page 3.

Connect America Fund (“CAF”) program, but also of the significant expense associated with deploying broadband to the most rural parts of this country.”⁴

III. RATE-OF-RETURN FUNDING

While the Commission took steps to provide additional support necessary for further broadband deployment with A-CAM, it has gone in the opposite direction for RoR carriers by reducing funding needed for broadband. Because RoR support funding was capped at 2011 amounts and then further cuts have been made, it has resulted in additional uncertainty for carriers. Budget Control Mechanisms, on top of other recently enacted measures, are steadily eroding cost recovery for the carriers remaining on ROR. “Not only does such a significant reduction act to stifle further deployment by rate-of-return carriers under legacy support mechanisms, it threatens to contravene Section 254(b)(3) of the Communications Act of 1934, as amended (Act), which establishes the fundamental universal service principle that consumers in rural, insular and high cost areas of the Nation should have access to advanced telecommunication and information service that are reasonable comparable and available at reasonably comparable rates to similar services in urban areas.”⁵

As NTCA stated, “current projections indicate that the budget control would hover at or around 10 percent for the next decade with the annual shortfalls ranging between \$140 million and just over \$160 million per year.”⁶ Projected cost recovery shortfalls do not result in the certainty that service providers need to make investments for further broadband deployment and upgrades if they will not generate sufficient recovery.

⁴ United States Telecom Association Comments at pages 1-2.

⁵ ITTA – The Voice of Mid-Size Communication Companies Comments at page 7.

⁶ NTCA-The Rural Broadband Association Comments at page 9.

ERTA supports WTA when it stated that full funding for RoR, “[a]t minimum, this entails elimination of the budget control reduction set forth in Section 54.901(f) of the Commission’s Rules. It should also entail a High Cost support inflation adjustment similar to those adopted for other USF mechanisms.”⁷

IV. CONCLUSION

ERTA members are small, community based businesses providing capital intensive services in high cost areas not served by other companies. ERTA strongly supports full funding of A-CAM and RoR support to allow more rural Americans to enjoy the benefits of broadband. If the FCC desires to increase broadband deployment to more customers living in Rural America, it should provide full funding for both A-CAM and RoR budgets.

Respectfully submitted,

**EASTERN RURAL TELECOM
ASSOCIATION**

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⁷ WTA – Advocates For Rural Broadband comments at page 10